



United States  
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# FACT SHEET

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## U.S.–PANAMA TRADE PROMOTION AGREEMENT BENEFITS FOR AGRICULTURE

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On June 28, 2007, the United States and Panama signed the U.S.-Panama Trade Promotion Agreement (TPA). It now awaits approval and implementation by the national legislatures in both countries. The U.S.-Panama TPA will make duty-free trade a two-way street, and is another key building block in the U.S. strategy to advance free trade within the Western Hemisphere.

Currently Panama's average agricultural tariff rate is 15 percent, but many key U.S. export products face much higher rates. Tariffs on meat can be as high as 70 percent, grain tariffs as high as 90 percent, and Panama's tariff on chicken leg quarters is 260 percent. In contrast, under the Caribbean Basin Initiative (CBI) legislation passed by Congress in 1983, over 99 percent of Panamanian exports to the United States enter duty free.

Upon implementation of the Agreement, U.S. exporters will receive duty-free treatment on products accounting for more than 60 percent of current trade, with tariffs on most remaining agricultural products phased out within 15 years. Moreover, the two countries signed a far-reaching agreement on sanitary and phytosanitary (SPS) measures and technical standards that eliminated long-standing regulatory barriers faced by a variety of U.S. products in the Panamanian market.

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### KEY ELEMENTS OF THE AGREEMENT

**Market Access.** The Agreement is comprehensive, covering all agricultural products. Liberalization of Panama's market will occur through tariff reductions and the expansion of duty-free tariff-rate quotas (TRQs).

**Tariff Elimination.** Under the Agreement, tariff phaseout periods range from immediate duty-free access to a maximum phaseout of 20 years. Tariffs on 68 percent of Panama's agricultural tariff lines, accounting for 63 percent of current U.S. trade by value, will be eliminated on entry into force of the Agreement. U.S. tariffs will be eliminated immediately for the 89 percent of agricultural tariff lines already duty free under the CBI program, covering 99.8 percent of the value of Panama's agricultural exports to the United States. Most other tariffs for both countries will be eliminated within 15 years. As a general

rule, tariffs will be reduced in equal annual installments over the phaseout period, with the first tariff cut made on the date the Agreement enters into force. For certain sensitive products, tariff cuts will be made annually after an initial grace period.

**Tariff-Rate Quotas (TRQs).** For some products with longer tariff phaseouts, immediate duty-free market access will be provided through the creation and expansion of TRQs (providing duty-free access for a specified quantity of imports). Most of these TRQs will be operated on a first-come, first-served basis. The Agreement includes special disciplines for Panamanian TRQs that will be administered through auctions or historical licenses, as well as a prohibition on the use of domestic purchase requirements.

**Agricultural Safeguards.** Agricultural safeguard measures will be available for certain products, allowing for temporary tariff increases if import quantities exceed agreed trigger levels. Safeguards will no longer be allowed once tariff protection has been phased out.

**Sanitary and Phytosanitary Measures (SPS) and Technical Standards.** In December 2006, the United States and Panama signed an extensive agreement on SPS measures and technical standards to address many long-standing SPS and other regulatory concerns relating to trade in products ranging from meat and poultry to dairy and other processed products. Under this agreement, which has been fully implemented, Panama recognized the equivalence of the U.S. food safety inspection system for meat and poultry, and the U.S. regulatory system for processed foods, including dairy products, ending its requirements for plant-by-plant and/or shipment-by-shipment inspections. Panama also brought its sanitary requirements on imports of beef and poultry into conformance with international standards (including BSE and avian influenza), thereby re-opening its market to exports of U.S. beef and chicken, which were blocked for several years. Finally, Panama has streamlined import documentation requirements, including its product registration system for processed foods and for U.S. agricultural products and formalized its continued recognition of the U.S. beef grading system and cuts nomenclature.

**Export Subsidies.** The United States and Panama agreed not to use export subsidies on products shipped into each other's market except to compete with third-party export subsidies.

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## **SPECIFIC PRODUCTS**

**Beef.** Panama's tariffs on beef range from 10 to 30 percent. Under the Agreement, the United States secures immediate duty-free treatment on products most important to the U.S. beef industry: high quality, USDA Prime and Choice beef cuts. Tariffs on beef tongues and livers will be eliminated in 5 years, and tariffs on other edible offals will be eliminated immediately. Panama's tariff on standard quality beef will be eliminated in 15 years with no reductions during the first 5 years. Standard quality beef will also be subject to a safeguard. All other tariffs on beef and beef products will be eliminated within 15 years and earlier in a number of cases.

In addition, Panama has changed a number of its SPS measures to make it easier to import U.S. beef. In February 2007, Panama accepted the equivalence of the U.S. meat inspection system, which will allow U.S. inspectors to certify beef for export to Panama without having each facility inspected by Panamanian authorities. Panama also modified its import requirements related to BSE to be consistent with international standards.

The United States will eliminate its 26-percent over-quota beef tariff within 15 years with no reductions during the first 5 years. If imports surge during the implementation period, the United States will have the right to use a quantity-based safeguard that will impose higher tariffs on imports from Panama that exceed the safeguard trigger level.

**Pork.** Panama's tariffs on pork range from 10 to 70 percent. Panama's tariffs on pork variety meats will be eliminated immediately on entry into force of the Agreement and its duties on some processed pork items, within 5 years. The Agreement establishes preferential duty-free TRQs for 2,554 tons of pork products, including 1,600 tons of fresh and frozen pork cuts, 636 tons of pork fat and bacon, and 318 tons

of processed pork. The quotas will grow annually by 6 percent (compounded), or greater each year, and the over-quota tariffs will be eliminated in 15 years with no reductions during an initial grace period for the main TRQ. This TRQ is also subject to a safeguard. All other pork tariffs will be eliminated within 12 years.

In addition, in February 2007, Panama recognized the equivalence of the U.S. meat inspection system, allowing U.S. inspectors to certify pork for export to Panama without having each facility inspected by Panamanian authorities.

Under the CBI, U.S. tariffs on pork imports from Panama currently are zero. The U.S.-Panama TPA continues this zero-duty treatment.

**Poultry.** Panama's tariffs on poultry range from 5 to 260 percent. Tariffs will be eliminated immediately on frozen whole turkeys, most frozen turkey cuts, and mechanically de-boned chicken. Tariffs will be eliminated within 5 years on chicken wings and other turkey meat, as well as processed chicken and turkey. The Agreement establishes a preferential duty-free TRQ for chicken leg quarters that starts at 660 tons and grows each year by a 10-percent compound rate. The over-quota tariff will be eliminated in 18 years with no tariff reductions for the first 10 years. All other poultry tariffs will be eliminated within 15 years or less.

Under the CBI, U.S. tariffs on poultry imports from Panama currently are zero. The U.S.-Panama TPA continues this zero-duty treatment.

**Dairy.** Panama's tariffs on dairy products range from zero to 155 percent. Under the Agreement, Panama's tariffs on whey products will be eliminated immediately. In addition, U.S. exporters will have access to nine product-specific dairy TRQs with a combined total of 3,986 tons. All of the dairy TRQs will have duty-free quantities growing at 4-5 percent, compounded annually over the transition period. The Agreement establishes TRQs in Panama for key products, including 2,625 tons of skim milk powder, 364 tons of cheddar cheese, 364 tons of other cheese, and 263 tons of ice cream. The over-quota tariffs on these dairy products will be phased out in 15 to 17 years, with no reductions for the first few years and safeguards. Panama will phase out all other dairy tariffs within 15 years or less.

The United States will establish dairy TRQs totaling 4,553 tons, including 2,120 tons of condensed and evaporated milk, 525 tons of select cheeses, 318 tons of other cheese, and 1,590 tons of ice cream. The U.S. quotas will grow by 5-6 percent, compounded annually. The over-quota tariffs will be phased out in 15 to 17 years, with no reductions for the first few years and safeguards for quantities in excess of the TRQs. Under the U.S.-Panama TPA, the United States will continue to provide zero-duty treatment to dairy products currently receiving zero-duty treatment under the CBI. Over-quota tariffs for products subject to WTO TRQs not covered by preferential TRQs under this Agreement will be phased out in 15 years with no reductions for an initial grace period.

**Fruits, Nuts, and Vegetables.** Panama's tariffs on fruits, nuts, and vegetable products range from zero to 81 percent. Under the Agreement, tariffs will be immediately eliminated on nearly 400 (80 percent) of these tariff lines, while 37 tariff lines will receive duty-free treatment within 5 years. Examples of products that will receive immediate duty-free treatment include: oranges, peaches, cherries, pears, plums, prunes, peas, mushrooms, walnuts, almonds, grapes, raisins, watermelons, apples, sweet corn, apple juice, and orange juice.

**Onions.** Panama will establish an 816-ton duty-free preferential TRQ for fresh onions with a 2-percent compound growth rate each year. The tariffs on dried and processed onions will be eliminated immediately.

**Dried Beans.** Other than kidney beans, the tariff on all dried peas, beans, and lentils will be eliminated immediately. Panama will establish a 795-ton preferential TRQ for kidney beans with

a 6-percent simple growth rate and a phaseout of the over-quota tariff in 12 years.

**Potatoes.** The tariff on potato chips will be eliminated immediately and the tariffs on potato flakes and other potato preparations will be phased out in 5 to 10 years. Panama will establish a 3,640-ton duty-free preferential TRQ for frozen precooked French fries. This will grow by 4 percent, compounded each year, and the over-quota tariff will be eliminated in 5 years. Panama also will establish a 765-ton duty-free preferential TRQ for fresh potatoes with a 2-percent annual compound growth rate.

**Processed Tomato Products.** Panama's tariffs for canned tomatoes, tomato powder, tomato juice, and juice mixtures containing tomatoes will be eliminated immediately. In addition, Panama will establish a 798-ton duty-free preferential TRQ for tomato paste with a phaseout of the over-quota tariff in 15 years with an initial grace period and a safeguard. Panama also agreed to modify the in-quota tariff for its WTO TRQ on tomato paste so that it is bound at zero from September to February each year.

Under the CBI, U.S. tariffs on imports of fruits, nuts, and vegetables from Panama currently are zero. The U.S.-Panama TPA continues this zero-duty treatment.

**Grains.** Panama's tariffs on grains range from zero to 90 percent.

**Corn.** Under the Agreement, Panama will establish a 298,700-ton duty-free preferential TRQ for corn that will grow at a rate of 3 percent, compounded annually. The over-quota tariff will be eliminated in 15 years with no reductions for the first 5 years.

**Rice.** Panama will establish two preferential rice TRQs totaling 12,190 tons, including 7,950 tons of rough rice and 4,240 tons of milled rice. The TRQs will grow by 6 percent, compounded each year, and will be phased out in 20 years, with no reductions during an initial grace period and a safeguard.

**Sorghum.** Sorghum will receive duty-free treatment in 5 years.

**Wheat.** Wheat will receive immediate duty-free treatment, and tariffs on wheat flour will be eliminated within 12 years.

**Barley.** Barley will receive duty-free treatment immediately.

Under the CBI, U.S. tariffs on grain imports from Panama currently are zero. The U.S.-Panama TPA continues this zero-duty treatment.

**Oilseeds and Vegetable Oil.** Panama's tariffs on oilseeds and vegetable oils range from zero to 30 percent. All fat and oil tariff lines will be eliminated within 15 years or less.

**Oilseeds.** Panama will lock in duty-free treatment for U.S. exports of both soybeans and soybean meal immediately.

**Soybean Oil.** The tariff on crude soybean oil will be eliminated immediately. The tariff on refined soybean oil will be phased out within 15 years, with an initial grace period and a safeguard.

**Corn Oil.** The tariff on crude corn oil will be eliminated immediately. Panama will establish a duty-free preferential TRQ for refined corn oil. The initial duty-free TRQ will be 368 tons with a 5-percent compound growth rate. The over-quota tariff on refined corn oil will be phased out within 10 years, with an initial grace period and a safeguard.

**Sugar.** Panama's tariffs on sugar and sweetener products range from zero to 144 percent. Panama's tariff on high-fructose corn syrup and raw cane and refined sugar will be zero immediately while the duties on other sugar and sweetener products will be eliminated within 15 years.

The United States has agreed to provide Panama with a 505-ton duty-free TRQ for sugar and sugar products covered by the U.S. WTO TRQ, with the quantity growing at 1-percent simple annual growth. Panama must be a net exporter to qualify to export this new tonnage. There is also a sugar compensation mechanism that enables the United States to provide compensation in lieu of accepting duty-free imports under this TRQ. The United States also has agreed to provide a 6,060-ton TRQ for raw sugar growing at 1-percent simple annual growth for 10 years and a 500-ton TRQ for specialty sugar that does not grow. These TRQs are also subject to the sugar compensation mechanism; however Panama does not need to be a net exporter to qualify for the raw and specialty TRQs. The United States will not reduce the out-of-quota duty for sugar and sugar products covered by these TRQs.

**Processed Foods.** Panama's tariffs on processed products range from zero to 50 percent. Tariffs will be eliminated immediately on 78 processed food tariff lines, and an additional 16 lines will be duty free in 5 years. Examples of items that will be immediately tariff free are miscellaneous food preparations, sweetened cocoa powder, chocolate confectionary, infant formula, soup, and some breakfast cereal and sugar confectionary products. Retail dog and cat food and tomato sauces will receive duty-free treatment in 5 years. Pasta, corn snacks, mayonnaise, ketchup, salsa, mineral water, other non-carbonated beverages, some beers, frozen pastries, and other baker's wares will receive duty-free treatment in 10 years. Wheat flour and cookies will receive duty-free treatment in 11 years. And sugar confectionery, stuffed pasta, crackers, carbonated beverages, and other beers will receive duty-free treatment in 12 years.

Under the U.S.-Panama TPA, the United States will continue to provide zero-duty treatment to processed product tariffs currently receiving zero-duty treatment under CBI.

**Cotton and Peanuts.** Panama's currently applied tariff on cotton is zero. Under the U.S.-Panama TPA, Panama will immediately lock in this duty-free treatment.

Panama's tariffs on peanuts and peanut products range from zero to 15 percent. Under the Agreement Panama will eliminate tariffs on peanuts and most peanut products immediately, but the tariff on roasted peanuts will be eliminated in 5 years.

Under the U.S.-Panama TPA, the United States will continue to provide zero-duty treatment to cotton and peanut products currently receiving zero-duty treatment under the CBI. The over-quota tariff rates for our WTO TRQs, which are not eligible for CBI preference, will be phased out in 15 years with no reductions in the first 5 years.

**Distilled Spirits and Wine.** Panama's tariffs on distilled spirits range from 10 to 15 percent, although its WTO commitments allow rates as high as 86 percent on some of these products. Under the U.S.-Panama TPA, Panama's tariffs on all distilled spirits will be eliminated immediately.

Panama's tariff on still wine is 15 percent. Under the U.S.-Panama TPA, the tariff on bottled table wine will be eliminated immediately while tariffs on all other wine categories will be phased out within 5 years.

Under the U.S.-Panama TPA, the United States will continue to provide zero-duty treatment to distilled spirits and wine currently receiving zero-duty treatment under the CBI.